

Michigan Senior Advocates Council

Position On Legislation

presented by Bob Fox

- Adopt The Attorney General's Amendment
 - Legacy plans A & C Should Be Preserved (Will Not Be Cancelled)
 - Guarantee Issue (People With Bad Health Must Be Accepted)
 - Community Rated (Premiums Identical Statewide)
 - Subsidized (State Ordered Subsidy Cuts Premiums By 37%)
 - Regulated by the State (Attorney General)
 - What Is The Impact To Consumers

Lives in Livingston County
Senior Volunteer
MMAF Counselor
Advisory Council Elder Law Of Michigan
Chairman Of MSAC

Amendment Drafted By The Attorney General's Office That Would Preserve Blue Cross Medigap Policies.

CHANGES TO SENATE BILL 62 TO CONTINUE THE MEDIGAP SUBSIDY FOR MICHIGAN SENIORS AFTER CONVERSION TO A MUTUAL INSURANCE COMPANY

[ADD SEC. 5805]

(3) A NONPROFIT MUTUAL DISABILITY INSURER THAT HAS MERGED WITH A NONPROFIT HEALTH CARE CORPORATION AS DESCRIBED IN SUBSECTION (1) SHALL CONTINUE TO OFFER SUPPLEMENTAL COVERAGE TO ALL MEDICARE ENROLLEES AS PROVIDED IN CHAPTER 38. NOTWITHSTANDING ANY CONTRARY PROVISIONS IN CHAPTER 38 OR THIS ACT, THE MEDICARE SUPPLEMENTAL COVERAGE OFFERED BY THE NONPROFIT MUTUAL DISABILITY INSURER: (A) SHALL BE OFFERED ON A GUARANTEED ISSUE BASIS TO ELIGIBLE APPLICANTS; (B) SHALL BE COMMUNITY RATED; (C) MAY BENEFIT FROM COST TRANSFERS IN AN AMOUNT ESTABLISHED BY THE COMMISSIONER THAT ANNUALLY SHALL NOT EXCEED 1% OF THE COMPANY'S TOTAL REVENUES, DEFINED TO INCLUDE BOTH INSURED BUSINESS REVENUES AND REVENUES ATTRIBUTABLE TO FEES, REIMBURSEMENTS, AND PREMIUM EQUIVALENTS FROM ADMINISTRATIVE SERVICE CONTRACTS, AS REPORTED IN THE COMPANY'S MOST RECENT ANNUAL STATEMENT; (D) SHALL BE SUBJECT TO THE RATE FILING AND APPROVAL REQUIREMENTS CONTAINED IN SECTIONS 608 THROUGH 615 OF THE NONPROFIT HEALTH CARE CORPORATION REFORM ACT, 1980 PA 350, MCL 550.1608 – 550.1615; AND (E) SHALL COMPLY WITH THE TERMS OF ANY AGREEMENT ENTERED INTO WITH THE ATTORNEY GENERAL.

CHANGES TO SENATE BILL 61 . THE FOLLOWING SECTION HAS THE UNINTENDED RESULT OF ABOLISHING THE FUTURE HEARINGS FOR MEDIGAP RATE CASES SHOULD BCBSM DECIDE NOT TO CONVERT TO A MUTUAL INSURER.

**Amendment Drafted By The Attorney General's Office That Would
Preserve Blue Cross Medigap Policies**

**CHANGES TO SENATE BILL 62 TO CONTINUE THE MEDIGAP SUBSIDY FOR
MICHIGAN SENIORS AFTER CONVERSION TO A MUTUAL INSURANCE
COMPANY**

**SEC. 620. (1) NOTWITHSTANDING ANY PROVISION OF THIS ACT TO THE CONTRARY, A
CERTIFICATE DELIVERED, ISSUED FOR DELIVERY, OR RENEWED IN THIS STATE ON
OR AFTER JANUARY 1, 2014 BY A HEALTH CARE CORPORATION IS SUBJECT TO THE
POLICY AND CERTIFICATE ISSUANCE AND RATE FILING REQUIREMENTS OF THE
INSURANCE CODE FOR 1956, 1956 PA 218, MCL 500.100 TO 500.8302, INCLUDING THE
RATING FACTOR REQUIREMENTS OF SECTION 3474A OF THE INSURANCE CODE OF
1956, 1956 PA 218, MCL 500.3474A.**

AMEND TO ADD:

(5) THIS SECTION DOES NOT APPLY TO MEDICARE SUPPLEMENTAL.

Legacy Plan C Would Be Preserved

- No Guarantee That Legacy Plans A & C Will Not Be Cancelled After Agreement With Attorney General Expires In 3.5 Years
- Legislation Should Be Written To Preserve The Legacy Plan A and C So It Will Not Be Terminated
- Argument That There Are Other Plans That Are As Good As The Legacy Plan C Is Not Valid

Medigap Plans Vs Medicare Advantage Plans

- As A Senior It Is All About Risk Management Of Your Health
- Coverage Is Distinctly Different
 - Medicare Advantage
 - Co Pays And Co Insurance
 - Usually Prescription Drug Coverage With Plan
 - Plan Recommends Doctors And Hospitals In Network
 - Can Go Outside Network But More Expensive
 - Medigap Or Supplemental Insurance
 - No Co Pays Or Co Insurance
 - Prescription Drug Coverage Not Included With Plan
 - Can See Any Doctor Or Hospital Within The U.S., That Accepts Medicare
 - Legacy Plan Very Popular Among Seniors
 - As Of May 2010 Legacy Plan C Had 206,825 Seniors Enrolled

Guarantee Issue (People With Bad Health Must Be Accepted)

- Affordable Care Act Does Not Apply To Medigap Plans Like The Legacy Plans A & C
- Seniors & People With Disabilities And Bad Health Need To Have An Affordable Health Plan That Protects Them From The High Cost Of Health Care
- No Pre-Existing Condition Clause Should Be Added To Legislation For Legacy Plans A and C
- The State (Medicaid) In Many Cases Will Bear The Responsibility For The Beneficiary If This Plan Is Cancelled

Legacy Plan C Must Continue To Be Community Rated

- Medigap Legacy Plan C Currently Uses Community Rating To Establish Its Premium
 - Three Type Of Ratings Used For Medigap Policies Attained Age, Issue Age, and Community Rating
 - Community Rating Averages Premiums Across All Subscribers & Doesn't Use Rating Factors
 - Using Attained Age As A Rating Will Guarantee Premium Increases Every Year

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**2 SEC. 3474A. THE PREMIUM RATE CHARGED BY AN INSURER, HEALTH
3 MAINTENANCE ORGANIZATION, OR NONPROFIT HEALTH CARE
4 CORPORATION FOR
5 HEALTH INSURANCE COVERAGE OFFERED THROUGH A POLICY OR
6 CERTIFICATE
7 DELIVERED, ISSUED FOR DELIVERY, OR RENEWED IN THIS STATE ON OR
8 AFTER JANUARY 1, 2014 IN THE INDIVIDUAL OR SMALL GROUP MARKET
9 SHALL
10 VARY BASED ON THE FOLLOWING FACTORS ONLY:
11 (A) WHETHER THE POLICY OR CERTIFICATE COVERS AN INDIVIDUAL OR
12 FAMILY.
13 (B) THE RATING AREA.
14 (C) AGE, EXCEPT THAT THE PREMIUM RATE SHALL NOT VARY BY MORE
15 THAN 3 TO 1 FOR ADULTS FOR ALL PLANS OTHER THAN CHILD-ONLY
16 PLANS.
17 (D) TOBACCO USE, EXCEPT THAT THE PREMIUM RATE SHALL NOT VARY
18 BY MORE THAN 1.5 TO 1.**

Maintain The 1% Subsidy For Medigap Legacy Plans A & C

- Subsidy Keeps Plan A & C Premiums Affordable For Many Seniors and People With Disabilities
- 1 in 3 Seniors In Michigan Depend On Their Social Security Check For Over 90% Of Their Income
 - That SS Check Is Approx. \$15,500 Per Year
 - Federal Poverty Level For 2012 Is \$11,170 Per Year
- Will Force Many Seniors & People With Disabilities To Drop Legacy Plans And Depend On Medicare And Pay High Out Of Pocket Costs Which Means They Will Forego Medical Care And Prescription Medications
- Many Seniors Could End Up With Health Conditions That Are Deteriorating Because Of Lack Of Resources

Attorney General Must Be Engaged In Process

- In 2009 BCBS Requested Rate Hikes
 - For Group Conversion Subscribers The Request Was For An Increase Of 42%
 - AG Involvement Resulted In A 22% Increase
 - For Non Group Subscribers The Request Was For 56%
 - AG Involvement Resulted In A 22% Increase
- In 2010 BCBS Requested A 31.2% Rate Hike On Medigap Legacy Plans
 - AG Involvement Resulted In A 3.8% Increase

Attorney General Must Be Engaged In Process

- Is The Process Longer Because Of The Involvement Of The Attorney General?
- Yes, But I Would Argue That The Benefits To The Senior Consumers Has Been Overwhelmingly Proven
- Many Seniors In Michigan Depend On The Attorney General To Represent Them On Issues Like Rate Hikes Etc.
- Attorney Generals Of Both Parties Have A Long And Distinguished History Of Protecting Seniors
- I Have More Examples Of AG Intervention And Can Share Them With You If Desired

Impact To Consumers And BCBS' s Competition

- Impact To Consumers And BCBS Competition
 - BCBS Owns 70% Of Market In Michigan
 - That Means For Every 10 Citizens, 7 Have A Policy With BCBS
 - What Are Some Potential Implications From This Conversion Plan?
 - A Community Health Impact Study Should Be Implemented
 - In 2001, Kansas, North Carolina, And Maryland Conducted Studies On A Similar Proposal And The Conversion Plan Was Denied Or Abandoned In All Cases
 - Identify Best Practices For The Rate Setting Process In Michigan

Impact To Consumers...SB-61 Page 3

- 17 (A) THE ADOPTION OF A PLAN OF MERGER BY THE MAJORITY OF THE
- 18 BOARDS OF DIRECTORS OF BOTH THE HEALTH CARE CORPORATION AND THE
- 19 NONPROFIT MUTUAL DISABILITY INSURER. THE HEALTH CARE CORPORATION
- 20 SHALL INCLUDE IN THE PLAN OF MERGER THAT BEGINNING IN APRIL 2014
- 21 THE SURVIVING ENTITY OF A MERGER DESCRIBED IN SUBSECTION (1) SHALL
- 22 USE “*ITS BEST EFFORTS*” TO MAKE ANNUAL SOCIAL MISSION “*CONTRIBUTIONS*” IN
- 23 AN AGGREGATE AMOUNT OF <<“*UP TO*” \$1,500,000,000.00 OVER A PERIOD OF UP TO
- 24 18 YEARS BEGINNING IN APRIL 2014 TO THE MICHIGAN HEALTH AND WELLNESS
- FOUNDATION CREATED UNDER PART 6A OF THIS ACT.>> IF
- 25 ADOPTED, THE BOARDS OF DIRECTORS SHALL SUBMIT THE PLAN OF MERGER TO
- 26 THE COMMISSIONER FOR HIS OR HER CONSIDERATION AS PROVIDED IN
- 27 SUBDIVISION (B).

